

The Delphi Group Symposium

# USHERING IN THE KNOWLEDGE-BASED ECONOMY

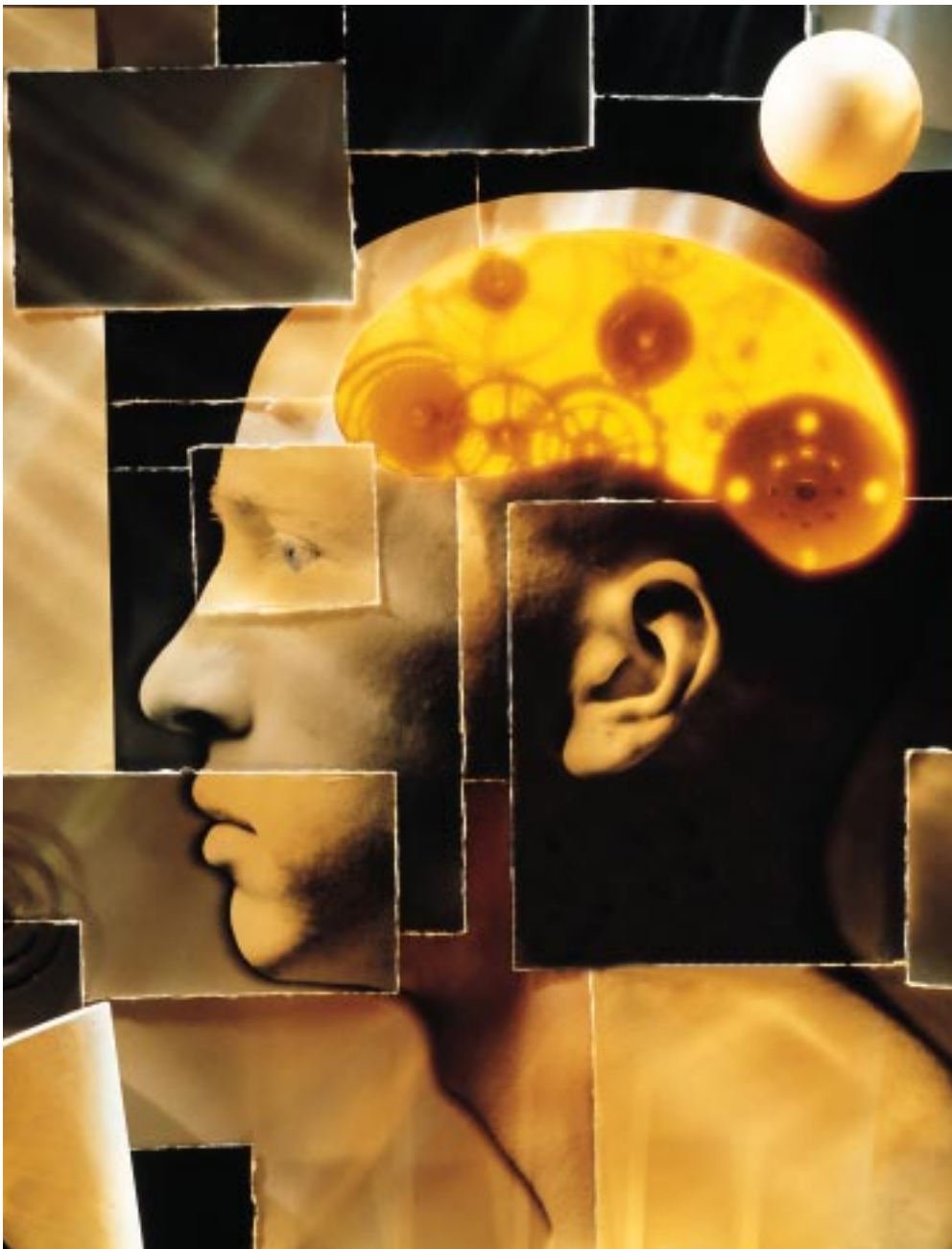
by Carl Frappaolo

Microsoft—a company with a relatively minor physical plant and raw product inventory—is capitalized at \$200 billion. By comparison, General Motors—a bastion of the Industrial Age, whose global facilities and inventory stand second to none—is capitalized at only \$40 billion.

## What's happening?

As corporations increasingly value intangible over tangible assets—or knowledge over inventory—the entire definition of success has shifted. These days, success is measured by the ability to innovate—to create and dismantle markets. To reach their goals and beat the competition, corporations must continuously one-up their own products and services. To succeed, an organization must take stock of its intellect. This is the impetus behind knowledge management.

On February 2, The Delphi Group convened a panel of knowledge management practitioners to discuss the dynamics influencing the knowledge-based economy. Participants on the panel, moderated by Carl Frappaolo, cofounder of The Delphi Group, included Scott Cooper, the general manager of Imaging and Document Management Products at the Lotus Corporation, Ed McNierney, the chief technology officer of Eastman Software, and Jordan Libit, vice president, FileNET Corporation.





**Rob Ramrath**  
Engineering Systems Manager,  
Bose Corporation

**Bose Corporation Achieves Sounder  
Safeguarding of Trade Secrets With  
Domino.Doc and Surety Technologies**

Bose Corporation is fueled by its commitment to research and product innovation. There is a strong need for streamlined procedures to document the research, engineering, design and development processes. Enter Lotus Domino.Doc and Surety Technologies' Digital Notary Accelerator.

Domino.Doc provides a complete, flexible and scalable document management solution that allows organizations to fully leverage documents as key business assets via the Internet using desktop applications, Web browsers or Lotus Notes clients. Surety's DNA adds record integrity to documents stored in Domino.Doc, helping to protect intellectual property and other critical records. Once a Bose engineer clicks on File/Save from within Domino.Doc, the documents are automatically routed to the Surety notary engine and automatically certified and notarized.

"We are excited about this solution," says Rob Ramrath, engineering systems manager at Bose. "It performs beautifully, we can manage it with minimal overhead, and the Domino.Doc model is so easy to understand, our users need virtually no training. I suspect that people will soon be using Domino.Doc as their general purpose document management system."



**What is Knowledge Management?**

Knowledge management enables organizations to find new ways to readily share both their explicit knowledge (that which is easily codified and stored on-line) and their tacit knowledge (that which is elusive and collectively held in the brains and experiences of employees). The knowledge-aware organization is able to react quickly to external demands, leverage internal resources intelligently and anticipate external market directions and course changes. Getting to this point requires fundamental shifts in corporate direction and leadership, but the potential rewards are significant.

***"Knowledge management is leveraging collective wisdom to increase responsiveness and innovation."***

—Carl Frappaolo, The Delphi Group

The first challenge in understanding knowledge management lies in differentiating it from information management. Too often, organizations falsely believe that establishing an effective information-management strategy embodies their knowledge-management initiative. Survival in the knowledge-based economy requires linking information to other information, to people and to processes, spawning innovation. Cooper observed, "It is the intersection of information and human cognition that creates knowledge. It is the process by which information is used to create something actionable. That is the goal of knowledge management."

Effective knowledge management requires much more than simply having the right software system and adequate training. It requires corporate leadership that views collective knowledge sharing and innovation as the fulcrum of competitive advantage. This poses a huge challenge in organizations where employees hoard information to protect their jobs, and security

considerations more often reward secrecy over open sharing. In contrast, knowledge management compels employees to share their knowledge, and management to value those who do.

***"Sharing knowledge within the organization is as big a challenge in many ways as sharing it with a competitor."***

—Jordan Libit, FileNET

Knowledge-aware organizations are continuously reinventing themselves in order to seize opportunities and realize the full potential of corporate talents. They possess an agility that lets them chart their own course through volatile and competitive markets. These organizations have amassed two kinds of knowledge: external and internal. External knowledge reflects awareness of the competition, regulations and market trends, as well as the ability to anticipate a market. Internal knowledge includes an understanding of core competencies, know-how, strengths, weaknesses and lessons learned from past experiences.

**Implementing Knowledge Management**

Amassing this knowledge—and making it accessible—poses the greatest challenge to organizations. Implementation of the knowledge chain requires corporate leadership and group acceptance, noted McNierney. "It may sound simple," he said, "but your employees better be motivated in the same direction as your corporation. Corporate mission and an employee value statement are important, but you also have to act in ways that clearly demonstrate this." But beware of what Libit labeled the "Information Egotist," those employees who measure their worth by the knowledge they have that others lack. "Employees are inherently competitive. Refocus your company as a learning organization and build in creative ways for employees to collaborate," suggested Libit.



Robert Weiler  
President,  
Eastman Software

**Eastman Software Supports  
Knowledge-Management Framework with  
Work Management Solutions**

As the competition for customers increases, customer satisfaction becomes critical. As a result, organizations today are recognizing the need to improve their existing customer service processes. Work Management technology has a proven ability to manage critical business operations in a timely way, as well as significantly enhance those processes through the introduction of document and process management. Companies all over the world are turning to Eastman Software for proven enterprise work management solutions.

With EASTMAN SOFTWARE Work Management solutions, companies can achieve world-class levels of performance. Organizations can streamline their business processes, creating rich business applications through access to critical business information and flexible, dynamic business processes. As a result, Eastman Software products can be found in some of the most innovative and successful companies worldwide.

[www.eastmansoftware.com](http://www.eastmansoftware.com)



Incentive systems that reward employees for actively participating in the knowledge chain are at play in many successful knowledge-based enterprises. Front-end incentives that reward employees for contributing knowledge may not work as well

***"It is versatility and a sense of strategic leveraging of intellect that translates into an effective CKO."***

—Ed McNierney, Eastman Software

as systems that reward employees for how often their contributed knowledge is reused to positive ends. "It is not the tidbits of knowledge that an employee holds that make him or her valuable," explained Cooper. "It is the ability to continuously innovate and create new tidbits that is valuable."

"It is asking a lot to assume that individuals, with little precedent to go on, will be disciplined enough to contribute to, administer and manage the evolving knowledge base," noted Frappaolo. That realization is behind the move to establish a chief knowledge officer (CKO). "The CKO sits between the CEO and the CIO. He or she is to the business process what the CIO is to technology," explained Frappaolo. Some organizations, viewing knowledge management as an extension of information management, have mistakenly attempted to reposition their CIO as the CKO. This can subliminally focus the knowledge management effort on technology and information availability, rather than on innovation and collaborative creativity.

"Some CEOs could fill the role of CKO," observed McNierney. Industry-specific experience isn't what's important. The ability to manage business knowledge in a flexible and innovative manner, leading the company in interesting ways, is what counts.

**Technology, Creativity & Innovation**

Knowledge management is not primarily about technology, but organizations will find it impossible to be competitive in the knowledge-based economy without it. "Innovation and creativity are a business process, but few organizations have ever thought of them that way before," observed Cooper. Knowledge-management technology acts as a facilitator, both in processing explicit and tacit knowledge and presenting them in a format appropriate to the user and business situation.

Operating a network that provides a seamless infrastructure for open communication is fundamental to a knowledge-management initiative. The Web has dramatically altered the need for and viability of knowledge management and

***"For many, it is difficult to understand the role of technology in innovation. But it is a critical realization."***

—Scott Cooper, Lotus

has driven down the cost of putting a knowledge infrastructure in place.

Within this network, organizations must determine the role that specific technologies can play in each of the links of the knowledge chain. In order to facilitate internal and external awareness, organizations should focus on technologies that assist in discovery and communication, whereas responsiveness requires process automation, work collaboration and expert base systems.

There are many technology alternatives to handle explicit knowledge, but few that effectively manage tacit knowledge. This is the greatest technological challenge facing organizations today. Ultimately, it is important to realize that knowledge management is not a technology but an integration of variable solution sets, functioning as a single system that meets the specific needs of each individual.

## Looking to the Future

Building a learning organization that meets the demands of a knowledge-based economy is clearly a multifaceted undertaking. Cooperation between intra- and inter-

***“‘Co-opetition’ is a radical change that is coming slowly—but it is coming”***

—Carl Frappaolo

corporate adversaries will become commonplace in this new environment. Coalitions will become more prevalent. Organizations will focus on core competencies and partner with outsourcing providers in other areas of expertise. Would-be competitors will collectively address the market to cooperatively grow it, each subsequently vying for a slice of this healthier market. Teams will become more widespread, spanning disciplines and geographic locations. Reporting hierarchies will also become obsolete.

Where does this leave the employee? As McNierney suggested, “Your core competencies better be congruent with what you value in your employees. Assume your organization has mastered knowledge management—what would you have your employees do then?”

All of this may serve as a wake-up call to the tradition-bound organization. To ignore the push toward knowledge management is to miss out on the opportunity to explore the new frontier in business and technology. Given the rate at which technology is changing virtually every industry today, it is a frontier that will soon be well-trodden. ■



*Carl Frappaolo (cf@delphigroup.com) is executive vice president and lead KM consultant for The Delphi Group (www.delphigroup.com), a leader in research and advisory services for enterprisewide knowledge management.*



**Jordan Libit**  
*Senior Vice President, Business Development and Strategy, FileNET Corp.*

## Integrated Document Management Technology Enables Knowledge Management

As knowledge becomes recognized as the intellectual capital of many organizations and as the amount of available information continues to grow, the ability to unleash the power of these knowledge assets is becoming critical to success within a given industry.

FileNET recognizes that knowledge management is a linking of relevant business information, whether unstructured or structured, to people and collaborative processes. FileNET's Panagon integrated document management (IDM) products enable organizations to transform themselves into knowledge-based enterprises.

